

# Economic & Monetary Statistics

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### Introduction

In October, the prices of some goods and services rose slightly, with the Consumer Price Index (CPI) increasing by 0.04%, while the riel depreciated slightly by 0.1 %, only. Liquidity of the banking system went down following an increase in the previous month. Credit granted by commercial banks to the private sector went up slightly. Meanwhile, deposits by the public with commercial banks also grew. It should be noted that, while deposits in foreign currency experienced an increase, the domestic currency deposits shrank to some extent.

### Consumer Price Index

In October 2005, CPI for all items went up slightly, following a modest increase in the previous month. The CPI rose from a level of 118.49 in September to 118.54 in October. The monthly inflation rate was 0.04%, compared with 1.18% in the previous month. On a year on year basis, the inflation rate for the month under review was 6.37%.

The upward movement of the CPI in the month under review resulted from a combination of increases in five sub-indices, while two of the sub-indices decreased and one remained unchanged. The highest growth in the month was for the transportation and communication sub-index (up 0.87%), followed by the personal care and effects sub-index (up 0.36%). The remaining sub-indices increased in a range from 0.12% to 0.29%. The growth of the transportation and communication sub-index in the month was mainly due to increased prices of diesel fuel (up 3.51%), gasoline (up 1.34%) and operation of transport (up 1.22%). The increase in the personal care and effects sub-index was due to an increase in price of toilet/bath soap (up 2.56%), razor blades (up 1.38%) and perfume (up 1.24%).

### Exchange Rate

In October 2005, the trend of the exchange rate of the riel against the US Dollar showed some weakness after having appreciated in the previous month. The market-buying rate went up from 4,198 riels at the end of September to 4,202 riels at the end of October, depreciating 0.1 % against the US Dollar. Compared to the exchange rate in the same period of last year, the riel depreciated by 3.88% against the US Dollar.

Taking a closer look at the movement of the daily market-buying rate for the entire month of October 2005 (chart 3), we can see that during the first ten days of the month, the exchange rate of the riel against US Dollar was quite stable, moving around the average value of 4,190 riels to US Dollar. After that period, the riel started to lose ground at a slightly faster rate and ended up trading at 4,202 riels at the end of the reviewed month.

### Money Supply

In October, liquidity of the banking system declined slightly compared to September. In the month under review, liquidity as measured by M2 fell by 28.5 billion riels (0.6%) following a significant increase of 230.5 billion riels (4.8%) in the previous month. Money M1, a component of money M2 dropped off by 13.1 billion riels (1%), from 1,279.3 billion riels in September to 1,266.1 billion riels in October 2005. The decrease of money M1 was caused by the decrease in currency outside banks of 12.5 billion riels (1 %) and demand deposits of 0.7 billion riels (1.5%). Quasi-money also decreased by 15.4 billion riels (0.4%), as a result of falls in foreign currency deposits of 9.3 billion riels (0.3%) and time and saving deposits of 6.1 billion riels (5.2%).

### Net domestic Assets of the Banking Sector

In October, net domestic assets of the banking sector declined by 44.5 billion riels (11.2%). The fall was due to a decrease in domestic credit of 7.2 billion riels (0.4). It should be noted that the decrease in domestic credit was the result of the drop in net claim on government by 40.2 billion riels (10%), as government deposits with the banking system improved from 744.0 billion riels in September to 779.5 billion riels in October 2005. Meanwhile, credit to private sector increased by 33.1 billion riels (1.4%).

### Net Foreign Assets of the Banking Sector

The net foreign assets of the banking system, a major determinant of monetary growth, continued to expand during the month under review. After an increase of 261.9 billion riels (5.1%) in September 2005, the net foreign assets of the banking sector rose by 16.0 billion riels (0.3%) reaching 5,407 billion riels at the end of October 2005. This change of net foreign assets was mainly due to an increase in total foreign assets of 25.4 billion riels (0.4%), in which foreign assets of the central bank increased by 35.8 billion riels (0.76%), while foreign assets of deposit money banks decreased by 10.4

billion riels (0.78%). Meanwhile, total foreign liabilities of the banking system rose by 9.4 billion riels (1.5%), in which foreign liabilities of deposit money banks went up 14.1 billion riels (4.7%), while foreign liabilities of the central bank declined 4.7 billion riels (1.3%). The growth in foreign assets of the central bank was caused by an increase of 26.5 billion riels (1.8%) in other credit to nonresidents, foreign exchange holdings increasing by 16.6 billion riels (20.3%), and an increase of 2.6 billion riels (0.34%) in the value of monetary gold. Partly offsetting these increases were decreases in SDR holdings of 5.1 billion riels (66.9%) and accounts with foreign banks and non-bank institutions of 4.9 billion riels (0.2%).

### **Deposit Money Banks' Operation**

As shown in Table 10, total operations of deposit money banks, excluding provincial branches of National Bank of Cambodia continued to expand in October 2005. Total assets of deposit money banks expanded from 5,493.9 billion riels to 5,524.8 billion riels, representing an increase of 30.9 billion riels (0.6%), compared with an increase of 198.3 billion riels (3.7%) in the previous month. This increase was due to increases in credit to the private sector by 33.1 billion riels (1.4%) and cash and deposits with the central bank of 22.5 billion riels (1.6%). Foreign assets, fixed and other domestic assets, and credit to the government decreased by 10.4 billion riels (0.8%), 9.3 billion riels (2.8%) and 4.9 billion riels (7.1%), respectively.

On the liability side, deposits by residents, a major source of funds of deposit money banks, fell by 16.8 billion riels (0.4%). This was mainly due to decreases in foreign currency deposits of 9.2 billion riels (0.3%), term and saving deposits of 6.1 billion riels (5.2%) and demand deposits of 1.4 billion riels (4%). Capital and reserves, other domestic liabilities, and foreign liabilities increased by 17.1 billion riels (1.5%), 16.5 billion riels (5.1%), and 14.1 billion riels (4.7%), respectively.

Table 12 shows that total credit provided to the economy by all deposit money banks, excluding central bank branches, rose by 28.2 billion riels (1.1%), compared with an increase of 93.7 billion riels (4%) a month before. Figures on monthly changes indicated that six sectors registered an increase in credit. The credit sector with the largest increase in the month under review was credit to importers of 29.2 billion riels (20.1%), followed by the growth of credit to services industry of 16.0 billion riels (1.9%), wholesale and retail trade of 13.6 billion riels (2.6%), real estate industry and public utilities of 10.5 billion riels (6.9%), manufacturing industry of 6.8 billion riels (2.4%), and finance industry of 0.06 billion riels (273%). During the same time, there was a decrease in credit to exporters of 33.9 billion riels (50%), other industries of 13.2 billion riels (5.5%), construction industry 0.7 billion riels (0.5%) and agriculture sector 0.08 billion riels (0.1%).

With regard to deposit operations of the deposit money banks, excluding central bank branches, the total of residents and non-residents deposits expanded by 2.5 billion riels (0.1%), compared to an increase of 184.2 billion riels (4.9%) in the previous month. This increase in total deposits in the month under review resulted from a growth of foreign currency deposits of 12.6 billion riels (0.3%), partly offset by a decrease in domestic currency deposits of 10.1 billion riels (6.3%). The growth in foreign currency deposits was caused by increases in saving deposits of 12.1 billion riels (0.7%), demand deposits of 5.2 billion riels (0.6%), and fixed deposits of 2.8 billion riels (0.3%). Other deposits declined by 7.5 billion riels (13.9%). The decline in domestic currency deposits was due to decreases in fixed deposits of 5.5 billion riels (10.5%), other deposits of 4.3 billion riels (61.9%), and saving deposits of 1.2 billion riels (2.1%). Demand deposits grew by 1 billion riels (2.3%).

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